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Nagel, Charles

A demand for a national industrial program

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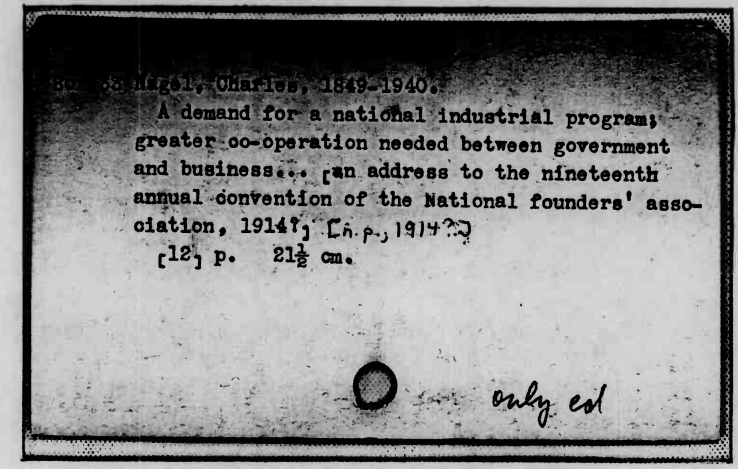
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A Demand for a National Industrial Program

Greater Co-Operation Needed Between Government and Business

Hon. Charles Nagel
Former Secretary, Commerce and Labor

1914 ?

A Demand for a National Industrial Program*

Greater Co-operation Needed Between Government and Business

(*Hon. Charles Nagel, Former Secretary, Commerce and Labor*)

I do not ordinarily start with an explanation, but it is impossible for me to accept the introduction in the broad terms in which it has been given. If I was fortunate enough to be called to Washington, I imagine it was because no one suspected that I had any impressions about the industrial situation. I was a practicing lawyer in the Middle West, as I am now. I could lay no claim to particular information about the economic conditions of this country. I could only say that, as a lawyer, before going to Washington, I had seen enough of the machinery of our government, to wonder where the business man procured the courage to go on. Fortunately for myself, I did not say much about that impression until after I was in Washington. Not that the President did not have similar impressions; but it was well for me not to speak of it too early. I pursued my observations, and every suspicion that I had entertained before going to Washington was confirmed by what I saw afterwards.

I trust you will not entertain the suspicion that the importance of the subject which has been assigned to me, is indicative of the length of the address which I propose to make. I have no ambition to lay down a program for commercial or industrial development. Neither do I intend to indulge in mere criticism of what has been done in the past.

**An Address to the Nineteenth Annual Convention of the National Founders' Association.*

But it has occurred to me that there are certain things to which reference should be made without hesitation; because, in my judgment, they constitute some of the embarrassments in the way of national progress. What are they?

Public Confidence in Mere Appropriations

As I see it, we have a remarkable confidence in mere appropriations; we seem to have an idea that if an appropriation has been made, the results will follow. I am of the opinion that it is time for us to appreciate that we cannot buy happiness, because it must be deserved; and that we cannot buy security, because that has to be earned. For illustration, I favor national defense; but I trust that we may not indulge the impression that security and national defense can be had by the mere purchase of ships and guns and ammunition. What we need is the conservation of men and women; to awaken them to the thought of devotion to the public and to the government. I favor national defense, and have for many years. I believe in a navy, I believe in an army, I believe in organizing, I believe in a state of preparedness; but I care more for the moral force of the man and woman, and for their willingness to serve the general public, than for all the guns and ammunition that can be bought. I have sometimes said in the past—and I am not speaking of this war now—that an army is not in all respects a source of expense, because the training of the army has enormous economic value for a people; and such training would be of invaluable consequence to us. Give me leave to take the shiftless men—rich and poor—of a city, and drill them regularly, and I will make men out of fifty per cent of them. That is what we need. You know what our trouble is; one side not taken care of enough, another side coddled too much; until it has become society's problem how to sustain neglected members, and the care of every man of means to know how to save his children from the consequences of too much protection. That is our care. I favor the appropriations; but they alone will not do it. We must make up our minds that there are things that the government cannot do, and that we must do ourselves for the government.

Fewer Laws Required With Better Enforcement

In the same line, of the same nature, is the over-confidence of the general public in the mere letter of the law. We have become worshippers of the letter of the law, and we have become despisers of the spirit of the law. That is a bad combination. We ought to have fewer laws, and we should enforce those we have; instead of which we are neglecting the laws we have, and reaching out for new measures to put upon the statute books. It is like New Year's resolutions. A man who makes too many of them writes himself down a weakling. We have come to a point where we expect a special law for everything. You have all heard the story of the lawyer—I believe he was from Missouri—who gave the advice that it was no crime to steal a saddle, because he could not find the word "saddle" in the index of the criminal code. That is our trend. It is the worship of the letter of the law. For every ailment we demand a cure in the statute book. We need less medicine, and more care in our mode of living. We have a way of listening to every person who has a complaint to make, and then looking to that person to afford the remedy. Granting that he has the ability to point out trouble, it does not follow that he has the training to cure it. I admitted in 1896 and ever since, that William J. Bryan had a better nose for trouble than any man in the United States. I grant that a large proportion of his complaints were well founded; but I deny that his measures for relief disclosed either experience or wisdom. That is the difficulty. This confidence in more legislation has been illustrated over and over again. I remember in 1913 one of the Bureaus in my Department was in some despair because it could not statistically establish the secret of the high cost of living. Something of an inquiry had been made, with nothing approaching a satisfactory result. I concluded that we need not trouble about it. We had been told that the high cost of living would be cured by the next administration. Why not wait and see it done. It is fatal to make a promise of that kind; every business man and every student knows that it cannot be done as easily as that; by resolution or platform or statute; because the problem is largely created by the anxieties and the hope, the desire and the ambition, of men and women; and no mere law can control or regulate them.

Legislative Situation Chaotic

But we labor under a peculiar difficulty in this country. We have not only the Federal Government legislating at full blast; but we have all the states occupied in the same business at the same time. To my mind, the situation is chaotic. It was never contemplated that businesss of a national character should be subjected to all the varied jurisdictions of all these states. We have the post-office system under Federal control; that means that orders for business are invited and given under a national system. We have the railroads under national control; that means that the goods are carried under the same system. We have the national banks under national control; that means that remittances are made by means of the same system. Everything is under national control except the proprietor; and he is at the mercy of anybody who can get hold of him. That was never intended. The idea was that no state should levy any tax or burden upon goods entering from another state. The supposition was that commerce between states had been made free. That principle was recognized with respect to individuals. But when the private corporation was organized, the national government decided that this was the creation of a particular state, and that no other state could be forced to admit or adopt it. Each state has, in consequence, seized upon every private corporation that comes within its jurisdiction, and has handled it just as it pleased. That is where we are today. In other words, if you are engaged in national business, with your organization authorized by one state, it is optional with every other state to admit or reject you. After you have bought your property, established your business, and created your goodwill, you are there merely by leave, and you may be thrust out at the will of any legislature. That is a serious condition. To my mind, it is discouraging. I fail to see where business men get the courage to invest their money in enterprises which are so subject to chance, risk, impression and caprice. Uncertainty always makes for speculation, as you know; and never makes for creative investment.

Federal Instead of State Laws for Corporations

Still, the national government seems to be unwilling to take hold of that proposition. It has asssumed the right to punish any state organization that is engaged in interstate business; but it has not been willing to assume the authority to protect that same business. Why not? Are they not corollary powers? If the government says, "You must not do this," should not that government say, "You may do this"? That is the position for which I contend. It is a national proposition. Interstate commerce is and should be a matter of national regulation, for punishment and protection; and the states should not be permitted to interfere with any commerce so soon as it attains, and in so far as it retains, a national character. It looks simple on its face; it seems obvious to me. Hamilton, in the days when he was Secretary of the Treasury, did not perhaps recommend such a policy in terms; but he mapped out a program. He was the organizer of the fiscal system; as he was the advocate of a tariff system. He was the man whose creative mind really unfolded the whole commercial plan upon which we work today. He sent a State paper to Congress at the time, pointing out the enormous possibilities of this country, recognizing that there would be such a thing as national commerce. But the State rights' doctrine was so strong at the time that this was the one State paper from Alexander Hamilton upon which no action was taken; and we, the people of the United States, have paid the price for that omission ever since. We are paying it now, and we will in my opinion continue to pay it, until the representatives of the people have the courage to make the correction.

Public Respect for Phrases

There are other embarrassments of a like kind. We have a strange respect for phrases; we seem to be impressed, hypnotized by phrases. We like a slogan, or we are afraid of it; and even business men seem to have a fear of going up against a phrase. I often wonder about it. Business men have courage, they have enterprise, they risk their money; but somehow when it comes to the political phase of a situation, they refuse to fight. Why? Did you ever think that a politician has any unusual courage? In a modest way I have been

interested in politics most of my life, and I have never seen anything run faster than a politician. Why do you not go at them? They will thank you for it, because they need support. You cannot expect them to do it all. They must know that you will support them; not only ask things of them, but stand for them. They are entitled to that much.

The Merchant Marine

For illustration, look at our merchant marine—but that's Irish, because there is so little of it. Why? Because we are afraid to face the facts. I was at one time opposed to a subsidy, but my little experience in Washington converted me. I am not in favor of a subsidy if it is not needed; I am not in favor of any protection that is not needed. I am not in favor of protection that builds up a certain interest at the expense of the public; but I am in favor of every protection that builds up an interest for the benefit of the public. That is, of course, an indefinite policy; but it points to a safe rule of action. I am not afraid of a phrase; I am not going to be intimidated by a term. If we cannot have a merchant marine without a subsidy, I am for a subsidy, and I am for calling it a subsidy, so that there will be no misunderstanding it. Now, do we need a merchant marine? I have seen some Americans who thought they did. During the early days of the war I was stranded in Switzerland with some other Americans. Some of them were of the opinion that the government had nothing better to do than to send ships at once to bring us home. I was asked to express my opinion, because I had once had a job. I told them that it was my impression that the government could not send ships if it wanted to, because it did not have them; and if it did have them, it would have better employment for them than sending for pleasure seekers in Switzerland, who were better off than anybody else on the Continent. I admitted that it was a peculiarly appropriate occasion for ships; and I submit that as much has been true ever since. We certainly need them. We have opportunities staring us in the face, and cannot avail ourselves of them because we have no merchant marine. We have no merchant marine because we are afraid of a phrase; and having been afraid of a phrase for a quarter of a century, we came very near jumping into government ownership in six weeks. That was a strong contrast, was it not? What is government ownership, but subsidy intensified? Do you think the cost would be any less if the government ran the merchant marine business? Do you think it would cost any less in taxes if the government ran it than if we paid a subsidy? Of course it would not; we know enough about government expenses to judge that. I am not criticising, because so much is true of most governments throughout the world. Still we are hesitating, halting, wondering if we are going to have a merchant marine. People ask me, "Why have a merchant marine of our own when foreign countries serve us?" Today I do not see much evidence of it. Some of them cannot serve us at all; and others will not serve us unless it suits them. In a measure, that was always true. Before the war the relations between these foreign ships and their governments were so close that you could never have an equal chance; you would be served when their own customers got through, and you would never have the rates to enable you to compete on equal terms with their own merchants. In the nature of things, you could not. You would not have equal treatment in railroad competition; you would not have it in marine competition. We have got to have our own merchant marine if we want to compete under all circumstances.

Successful Export Business Depends Upon Ability to Deliver U. S. Goods in U. S. Boats

There is another thing to be reckoned with. A merchant marine is absolutely essential if we are to develop foreign trade with new countries. It is not all a matter of figures; there is much in sentiment. You know what a good salesman can do compared with an inexperienced one; one man will sell, and the other will fail to sell the same goods. You know the value of the personal equation; and you know that if we want to introduce our commerce into South America, we cannot do it by trusting it to foreign hands, or

by sending it on foreign decks. They will not believe that you have come to stay; they will think that you are selling something that you want to get rid of that year. They will never believe that you have confidence in them and in yourselves, until our ships sail into their harbors under the stars and stripes, with the goods to be taken off our own decks. Why close our eyes to facts and have theories frighten us out of our opportunities?

We are a great nation, and have an opportunity now that is unparalleled in history. Are we really making the best use of it? I do not think we are. We have a lot of conventions, we have banquets; the glad hand may introduce business, but it will never conclude it. We must know the people, become acquainted with them, speak their language, and have them know that we care for them. As a foreign ambassador said not long ago, "We have a proverb which says, 'If you want to lose your money, send somebody; and if you want to save it, come yourself.'" That is what we should reflect upon. If we want to win foreign business, we must go and see the people ourselves, and we must go in our own ships. We ought to go now when we have the opportunity, as it has never been presented to us before.

Co-operation Between Business and Government

There are other phases of the situation to be considered. To my mind there is a great lack of co-operation. I am almost ashamed to use the term "co-operation." It was "conservation" a while ago, and we grew weary of that. These poor words have been abused so much; they have suffered as few humans do. Just think of all the sins that have been committed in the name of conservation. Co-operation is nearly as bad; but there is nothing more needed in our country; and most of all do we require co-operation between the government itself and business. Government has been acting as though it were afraid of success. Executives and congressmen have thought that if they identified themselves with the success of large concerns they might not be re-elected. And all this time the people and the government depend upon the success of our industries and our commerce, as every other nation does; and neither can be developed to its full possibilities, until the government reaches out its hand to co-operate wherever that is possible. You ask me how and why? For instance, I believe that a great many suits could be avoided by intelligent communication before action is taken. I know that is not a popular statement, but I regard it as a sound one. I think, for illustration, that the Clayton act, dangerous as it is, points out a possible way for the adjustment of difficulties without unnecessary litigation. It all depends upon the personnel; and upon the manner in which the power is employed. During our administration, the Attorney-General at times conferred with my department. He did it in some instances to ascertain what, in the opinion of the Department of Commerce, ought to be done by way of correcting certain conditions that appeared to be in conflict with the law. That pointed the right way. The Department of Commerce may well be consulted about litigation of that kind, as it should be consulted about some phases of legislation. I may confess here that an illustration of how co-operation is not had was given in connection with the reciprocity bill. I not only was not the father of that bill, as was intimated this evening, but I knew blessed little about it until it was in Congress. I said, in the presence of Secretary Knox the other day, that it was a confession at my expense, that a great tariff measure upon which the welfare of business in this country seriously depended, the inauguration of a conciliatory measure between two neighboring countries, was drafted; and the first time I read the schedules was when they appeared in the House in the shape of a printed bill. I was Secretary of Commerce, but nobody seemed to remember it. That is a fact. I submit to you how is it possible in a great government to have an economic measure actually introduced without having a Secretary of Commerce at least formally know something about it. I do not say that I knew anything about the subject; I did not. I do not even say that my department was adequately equipped to give the information. But it was time that it should be; and all I can claim is that before I got out of office, the Department of Commerce was on the map; and it has come to stay.

Co-operation in Business

Co-operation? We need it in other directions. You need it among yourselves. You have had little enough of it in this country. We hear about the ambitions of cities. Some cities seem to feel that they ought to excel in everything. They cannot. Cities, like individuals, excel in particular things; and every city is benefited by the reflected success of every other city; and every state in the Union by the success of every other state. Mere competition between states and communities is simply so much waste. We are one nation; we must modify the states rights' doctrine, not only politically, as it was done by force, but industrially, as it should be done by decision. Conditions are even worse in the cities. We have too many organizations. Now that is being corrected in many cities; the organizations are being brought under one head. In Boston, I think in Detroit, in Chicago, in Cleveland, in Pittsburgh, they are engaged in that work; so that when the business organization of a city sends a telegram to Washington, the official addressed knows that the city has spoken; instead of having him embarrassed by a division of opinion.

The National Chamber of Commerce

That is true of all your business. How have you operated in the past? Every interest has undertaken to take care of itself; often at the cost of every other interest. A committee has gone to Washington to appear before a House or Senate Committee, to urge the protection of this, that or the other thing, or to argue for the escape from this, that or the other consequence. You have appeared in the same way before the departments. That leads to nothing; that simply follows the old rule to have everybody get all he can, regardless of what it costs the other man. That is individualism driven to the very limit. What you need in my opinion is co-operation; a general organization through which you may contend for the principles of government under which all of you can thrive. That is what you need. That is the meaning of the Chamber of Commerce of the United States. There is nothing novel about the idea. Somebody has said that I originated it. I did not. I found that Webster, about the time the Constitution was adopted, had recommended a Chamber of Commerce. I saw that the National Chamber of Commerce, and later the National Council in Washington, had attempted to realize the idea. They were struggling. I came to the conclusion that we could not succeed upon the basis that had been tried, and after conference with representatives of commerce I concluded to try another plan. I thought I had an idea; my friends in Washington thought an idea had me. However, with the unreserved support of President Taft, the Chamber of Commerce was organized. No doubt there is much to criticize. I am a member of the Board, and I know that we must not expect too much at once. I remember when I was elected to the City Council of St. Louis some years ago, someone congratulated me the next morning. I said, "Be careful, many voters will expect the sewers to have been built before we get to our offices." That is the danger in our country. We must not expect too much of an organization like the Chamber of Commerce. The idea is right. We must have a national organization of industry and commerce that may appear before the national government in the legislative or executive branches, and state the principles of the case by which you are to live. You are bound to provide such an organization; every other country has it. England has it, France has it, Germany has it. Do you not think that we have seen enough to realize that there is something for us to learn abroad no matter what we may think of this, that or the other issue over there? People have asked me, "How does Germany get her enormous power?" I think she possesses it because she derives her industrial organization not through politics, but through the rules of economy. Her commercial union preceded her political union by a long period; and she stands practically alone in that experience. It is not a question of credit; it is probably a matter of accident. But the result of it is that she has leaned less upon new legislation, and more upon industrial experience, which preceded her political union, and which really made her political union possible. You will remember that in 1870 when Bismarck wanted to bring Bavaria into the Empire, and she hesitated, he declared that Bavaria must come into the Empire or

get out of the Zollverein. In other words, the commercial union was stronger than the political union; and that is one secret of the Empire's power today. I am naturally an individualist, I have been an admirer of the English system all my life; but I say to myself that our freedom was accomplished under a political system; and we have learned, just as England did, to rely too much upon political measures for the cure of all ills. That will not work. Germany, perhaps by accident, was saved from that difficulty. What is the result? We talk of her armies. Why, her armies alone cannot do what is being done; her armies are nothing but the point of the arrow; her industrial and her social systems are the shaft that drives the arrow. That is her strength. We might just as well learn to see the truth. It is a great lesson. It is an enormous accomplishment, because no one can look on and refuse to admit that they have evolved something that we have not fathomed and do not understand. They have protected the individual man and woman without coddling them, which is something we cannot do. That is the problem of modern times, gentlemen; that is the problem that is facing us. We are trying to do it by charity; and we are trying to do it by legislation; and I think neither will quite reach the purpose. We have it to do. Coming back to what I said in the beginning, we must admit that it cannot be done by appropriations; and it cannot be done by laws alone; but it has got to be done by having us learn to walk straight ourselves without the government. Why do you hesitate? Here you are with all your power; with organizations like yours all over this country. Why are you without the recognition that other organizations have? Why can you not make the government proud of you? Why can you not induce the government to appeal to your patriotism, instead of counting upon mere measures of repression? Industry and commerce must come together, and stand for each other; not each one for himself, but in a co-operative spirit for your common interest. You must demand, not protection, but recognition and justice, in order that you may develop and thrive, and bring our country to that degree of wholesome prosperity to which our opportunities and our position entitle us.

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